

## 1 BEFORE THE ARIZONA CORPORATION COMMISSION 2 JEFF HATCH-MILLER Chairman WILLIAM A. MUNDELL 3 Arizona Corporation Commission Commissioner DOCKETED MARC SPITZER 4 Commissioner MAR 2 3 2006 5 MIKE GLEASON Commissioner KRISTIN K. MAYES DOCKETED BY 6 Commissioner 7 IN THE MATTER OF A CHANGE TO USE DOCKET NO. G-00000C-06-0069 OF THE MONTHLY THREE-MONTH DECISION NO. 68600 9 COMMERCIAL FINANCIAL PAPER RATE AS A SUCCESSOR RATE FROM THE **ORDER** 10 MONTHLY THREE-MONTH COMMERCIAL NON-FINANCIAL PAPER 11 RATE FOR CERTAIN PURCHASED GAS ADJUSTOR BANK BALANCES AND 12 CUSTOMER DEPOSIT ACCOUNTS 13 14 15 Open Meeting March 15 and 16, 2006 Phoenix, Arizona 16 BY THE COMMISSION: 17 FINDINGS OF FACT 18 Southwest Gas Corporation ("Southwest"), Southwest Page Propane Division, 19 1. 20 Corporation ("DRSC"), and Graham County Utilities ("GCU") are engaged in providing natural 21

- UniSource Gas ("UNS Gas"), Energy West Corporation ("Energy West"), Duncan Rural Services
- gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation 22 Commission. Duncan Valley Electric Cooperative ("DVEC") is engaged in providing electricity
- service within portions of Arizona, pursuant to authority granted by the Arizona Corporation 24
- Commission. 25

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- 2. For a number of years, certain utilities have used the Monthly Three-Month Non-26
- 27 Financial Commercial Paper Rate ("Current Rate") as the interest rate for their purchased gas
- 28 adjustor bank balances and, for one utility, customer deposits.

- 3. The Commission approved this rate for use in Decision Nos. 61225 (October 30, 1998) and 67433 (December 3, 2004).
- 4. This rate had been regularly published by the Federal Reserve up until last year, but problems with the Current Rate started in 2005.
- 5. In February 2005, the Current Rate was not published for that month. At the time, the Commission Staff advised utilities using the Current Rate to simply apply the previous month's rate for that one month (February 2005) where the Current Rate was not published. From March 2005 through November 2005, the Current Rate was published every month.
- 6. Since late November 2005, however, the Federal Reserve H.15 Statistical Release has not reported any new information for the Current Rate, meaning that there is no published rate for the Current Rate for the months of December 2005 and January 2006. It now appears likely that any changes to the Current Rate will no longer be published.
- 7. Staff has contacted the Federal Reserve several times inquiring about the future availability of the Current Rate, but the response has been limited to indicating that there has been no information available to report since late November 2005 about the Current Rate.
- 8. In light of these circumstances, the question is raised regarding what interest rate utilities should use on a going forward basis given the unavailability of the Commission-ordered Current Rate.
- 9. While the Federal Reserve publishes a wide variety of interest rates, Staff believes that in this case it would be best to replace the current rate with an interest rate that is very similar, thus avoiding issues regarding impacts on ratepayers of changing to a different interest rate.
- 10. A review of interest rates indicates that the Monthly Three-Month Commercial Financial Paper Rate ("New Rate") is a very similar rate. There have been no problems with the New Rate not being published. Generally, the financial paper rates show much higher volume activities than the non-financial paper rates, so it appears that switching to the New Rate would minimize the potential for these types of difficulties in the future.
- 11. On average, since the Current Rate and the New Rate began being published in 1997, the average difference between the two rates is 0.027 percent, with the New Rate being

slightly higher. The largest monthly difference showed the New Rate to be 0.09 percent higher, but for several months the New Rate was 0.01 percent lower. So, in a typical month, if the Current Rate was, for example, 4.20 percent, the New Rate would be 4.22 or 4.23 percent.

- 12. While not exactly the same, Staff believes that the average differential between the two rates is so small that it would have a very minimal impact on the calculation of PGA bank balance interest amounts or customer deposit amounts. For example, on a hypothetical \$10,000,000 PGA bank balance, a 0.027 percent difference in the interest rate would result in a total interest difference of \$226 for a given month.
- 13. Utilities which use the current rate for calculating interest on their PGA bank balances include: Southwest, UNS Gas, Energy West, DRSC, and GCU, as adopted in Decision No. 61225 (October 30, 1998).
- 14. DVEC uses the current rate for calculating interest on customer deposits, as adopted in Decision No. 67433 (December 3, 2004).
- 15. One gas utility, DRSC, is currently before the Commission with a general rate proceeding where a different interest rate may be proposed than the New Rate.
- 16. Given the disappearance of the Current Rate that the Commission adopted for use on the aforementioned PGA bank balances and customer deposits, Staff believes it is necessary to adopt the New Rate so utilities will have an interest rate to apply. Staff believes that the New Rate is a good replacement rate, as the average difference between it and the Current Rate is very small.
- 17. Staff has recommended adoption of the Monthly Three-Month Commercial Financial Paper Rate for application to the PGA bank balances of Southwest Page Propane Division, UNS Gas, Energy West, DRSC, and GCU, and the customer deposits of DVEC.
- 18. Staff has further recommended that if, in the current rate proceeding for DRSC, Staff is proposing a specific interest rate instead of the New Rate, that the specific interest rate adopted in that case replace the New Rate being adopted in this proceeding on the effective date for new rates and charges designated in that rate proceeding.

19. Since this case is amending previous orders approving the Current Rate to the New Rate, Staff believes that this order can be approved as amending those previous orders under A.R.S. § 40-252.

## **CONCLUSIONS OF LAW**

- 1. Southwest, Southwest Page Propane Division, UNS Gas, Energy West, DRSC, GCU, and DVEC are Arizona public service corporations within the meaning of Article XV, Section 2, of the Arizona Constitution.
- 2. The Commission has jurisdiction over Southwest Page Propane Division, UNS Gas, Energy West, DRSC, GCU, and DVEC and over the subject matter of the application.
- 3. The Commission, having reviewed Staff's Memorandum dated February 24, 2006, concludes that it is in the public interest to approve the change in interest rates.
- 4. This order can be approved as amending previous orders, Decision Nos. 61225 (October 30, 1998) and 67433 (December 3, 2004), under A.R.S. § 40-252.

## ORDER

IT IS THEREFORE ORDERED that Southwest Page Propane Division, UNS Gas, Energy West, DRSC, and GCU begin using the Monthly Three-Month Commercial Financial Paper Rate for application to the PGA bank balances and that DVEC and DRSC begin using the Monthly Three-Month Commercial Financial Paper Rate for customer deposits.

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Decision No. 68600

IT IS FURTHER ORDERED that the New Rate being adopted in this proceeding replace the customer deposit rate adopted in DRSC's current rate proceeding. IT IS FURTHER ORDERED that this Order shall become effective immediately. BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION COMMISSIONER COMMISSIONER IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 23rd day of March, 2006. **Executive Director** DISSENT: DISSENT: EGJ:RGG:lhm\JG 

Decision No. <u>68600</u>

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	DOCKET NO. G-00000C-06-0069
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	Las vegas, Nevaua 69193-6510
7	
	Mr. Doug Mann
8	Energy West
	200 West Longhorn
-9	Payson, Arizona 85541
10	그 회도 원이 교회에도 달래 아름다면요? 그는 이번 모르는 하나 없는 건물
10	Mr. David Couture
11	Unisource Energy Services
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12	Mailstop OH123
	Tucson, Arizona 85702
13	
- 3-5	Mr. Jack Schilling
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10	Mr. Russ Barney
17	Graham County Utilities, Inc.
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19	Mr. Proof C. Johnson
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23	Mr. Christopher C. Kempley
	Chief Counsel
24	Arizona Corporation Commission
2	1200 West Washington
25	Phoenix, Arizona 85007
26	엄마 그리 속도 없는다. 사람들은 다른 학생들이 중요한 경우 등 하는 것도 모든 사람들이 없는 것이다.
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Decision No. 68600